

**PANEL TESTIMONY OF VERIZON - MASSACHUSETTS ON  
COSTS AND RATES FOR UNBUNDLED NETWORK  
ELEMENTS AND RELATED WHOLESALE SERVICES**

1 DS0 level. These costs reflect the costs associated with the DS0  
2 level facility, which comprises the Signaling Link.

3 **D. LIDB, 800, AND AIN DATABASE QUERY**

4 Q. Please describe the forward-looking construct used to develop the  
5 costs associated with the LIDB, 800, and AIN Query.

6 A. A representative model Intelligent Signaling Control Point ("ISCP") for  
7 each database (800, LIDB, and AIN) was determined by reviewing the  
8 actual 800, LIDB, and AIN databases. A forward-looking  
9 representative ISCP for each database, based on the latest available  
10 ISCP technology was designed. The forward-looking model office  
11 was used as the basis for determining the investments associated  
12 with each database query.

13 Q. Please describe the cost methodology used in developing the 800,  
14 LIDB, and AIN query.

15 A. The cost methodology used in developing the 800, LIDB, and AIN  
16 query cost is consistent with the cost methodology described above.

17 Q. Did the Company deaverage the 800, LIDB, and AIN query by zone?

18 A. No. Since the signaling network will provide signaling of calls and  
19 data between two (or more) density zones, it would not be meaningful  
20 to develop deaveraged database queries.

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1 Q. How were the material investments for the queries developed?

2 A. The material investments for the queries were developed using  
3 CCSCIS. The latest negotiated vendor discount was applied to the  
4 material investment in CCSCIS.

5 **E. 800, LIDB, AIN, AND CALL SET-UP TRANSPORT**

6 Q. What technological assumptions underlie the 800, LIDB, AIN, and  
7 Call Set-Up Transport cost study?

8 A. The signaling technology is the same as described above.

9 Q. How did Verizon MA develop the SS7 Transport costs?

10 A. All SS7 message investments were obtained from CCSCIS and reflect  
11 the investment in SS7 links and STPs. The investments used in the  
12 study are a weighted average inclusive of all Massachusetts STPs  
13 and a weighted average of all A links, D links, and C links (up to the  
14 SCP for the particular service involved) for the entire state.

15 Q. Please describe the cost methodology used in developing the 800,  
16 LIDB, AIN, and Call Set-Up transport.

17 A. The cost methodology used in developing the 800, LIDB, AIN, and  
18 Call Set-Up transport cost is consistent with the cost methodology  
19 described above.

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1 Q. Did the Company deaverage the 800, LIDB, AIN, and Call Set-Up  
2 transport by zone?

3 A. No. Since the signaling network will provide signaling of calls and  
4 data between two (or more) density zones, it would not be meaningful  
5 to develop deaveraged database queries.

6 **F. AIN SERVICE MANAGEMENT SYSTEM AND AIN SERVICE**  
7 **CREATION**

8 Q What AIN cost studies are being presented here?

9 A. Cost studies are presented for AIN Service Creation, and AIN Record  
10 Provisioning. AIN Transport and query has been previously  
11 presented under SS7 Transport cost studies in this testimony.

12 Q. Please describe the AIN Service Creation model underlying Verizon  
13 MA's cost study.

14 A. Verizon MA's study is based on the assumption that carriers will  
15 access the Service Creation Environment ("SCE") through the same  
16 platform, ISCP SPACE™, that Verizon itself uses.

17 Q. Please describe the costs components for AIN Service Creation.

18 A. AIN Service Creation has the following cost components: Service  
19 Establishment; Service Creation Access Port; Service Creation  
20 Usage; Help Desk Support; Service Certification; and AIN ISCP  
21 Record Provisioning.

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1 Q. Please describe Service Establishment and how the cost was  
2 developed.

3 A. Service Establishment cost reflects the labor required for the initial  
4 establishment and set-up of an AIN SCE account by Verizon MA's  
5 Project Management organization. This cost element is a non-  
6 recurring cost and is developed in the non-recurring cost model  
7 presented in the testimony of Mr. Meacham.

8 Q. Please describe Service Creation Access Port and how the cost was  
9 developed.

10 A. An AIN Service Creation Access Port gives the carrier access to the  
11 SCE through a dedicated access port. These costs include the costs  
12 associated with the access workstations, and related software right  
13 to use fees. The cost methodology is described in the study  
14 documentation workpapers.

15 Q. Please describe Service Creation Usage and how the cost was  
16 developed.

17 A. Service Creation Usage is the cost associated with providing a carrier  
18 with access to the SCE facility, in twenty-four hour increments. This  
19 costing methodology is also described in the work papers.

20 Q. Please describe Help Desk Support and how the cost was developed.

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1 A. Help Desk Support provides a carrier with a dedicated SCE  
2 technician to assist the carrier with any problems encountered  
3 accessing the SCE. The cost is the hourly labor rate associated with  
4 the SCE technician that will provide this assistance multiplied by the  
5 time required by the carrier, to be billed in 15-minute increments.

6 Q. Please describe Service Certification and how the cost was  
7 developed.

8 A. Service Certification includes the cost of lab and field testing required  
9 to certify the carrier's service before it can be deployed in Verizon  
10 MA's ISCP. The testing ensures that the AIN service logic deployed  
11 in the ISCP can control network switches without creating  
12 unanticipated and harmful interactions with other network services  
13 and functions. Certification is required of all AIN services created by  
14 Verizon MA as well. It includes lab testing of the service logic,  
15 followed by actual field trials in the network.

16 The cost components of Service Certification consist of a weighted  
17 mix of labor rates for the job functions listed above as well as the  
18 labor rate associated with management of the project. This weighted  
19 labor rate multiplied by the time required to certify the particular AIN  
20 service would then be billed to the carrier in 15-minute increments.

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1 Q. Please describe ISCP Record Provisioning and how the cost was  
2 developed.

3 A. ISCP Record Provisioning is the labor associated with the creation  
4 and/or modification of AIN ISCP Records. The cost is the product of  
5 the hourly labor rate of the technician who will be performing this job  
6 function and the time necessary to perform that function (dependent  
7 on the size and number of records), to be billed in 15-minute  
8 increments.

9

10 **XI. ELEMENT COMBINATIONS**

11 **A. REGULATORY BACKGROUND**

12 Q. Does Verizon MA provide elements in combined form?

13 A. Yes. Incumbents are required to provide certain combinations by  
14 FCC Rule 315. Verizon MA currently provides network element  
15 combinations as required by the FCC under D.T.E. – Mass. – No. 17.

16 **B. RECURRING CHARGES FOR COMBINATIONS: IN GENERAL**

17 Q. What is the recurring charge for an element combination.

18 A. In general, the recurring charges for element combinations are the  
19 sum of the recurring charges for the constituent elements. In some  
20 cases, however, additional charges apply, as discussed below.

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1           **C.     THE EEL TESTING CHARGE**

2    Q.     What is the "EEL Testing Charge"?

3    A.     The EEL Connection Charge is a charge proposed by Verizon MA to  
4           recover the costs associated with testing EEL arrangements. (EEL is  
5           a combination of loops with IOF, together with multiplexing where  
6           required.)

7           In the local loop studies being presented in this filing, subscriber  
8           trouble testing expense is excluded from the expense base on which  
9           the Company's ACFs are based. The exclusion of subscriber trouble  
10          testing expense reflects the assumption that in the forward-looking  
11          environment, the CLEC purchasing a loop will perform the subscriber  
12          trouble testing function itself.

13          Currently, a CLEC purchasing EEL is not able to perform the testing  
14          necessary to isolate troubles to the loop (*i.e.*, "sectionalization"),  
15          since such testing would require the use of equipment in the central  
16          office serving that loop. Accordingly, Verizon MA is currently  
17          responsible for subscriber trouble testing for EEL arrangements, and  
18          it is appropriate to include the relevant expense in the EEL cost.

19   Q.     How has the testing charge been determined?

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1     A.     An EEL Testing expense factor has been developed which when  
2           applied to the investment in the underlying loop component of the  
3           EEL arrangement yields the relevant bases of costs. Ordinarily these  
4           costs would be divided by twelve and multiplied by common overhead  
5           and gross revenue loading factors in order to develop the monthly  
6           costs for testing. However, in an earlier decision<sup>38</sup> the Department  
7           ruled that EEL testing costs should be recovered as a per-transaction  
8           charge. The Company converted the monthly costs to transaction-  
9           based costs using the same methodology we followed when the  
10          compliance studies were filed in the earlier proceeding.

11    Q.     How was the EEL Testing factor developed?

12    A.     The first step was to identify the overall level of Subscriber Trouble  
13          Testing incurred by Verizon MA in 1999. Next an adjustment was  
14          made to remove testing expenses that are for non-regulated portions  
15          of the network. In addition, the circuit investments and annual costs  
16          associated with the testing equipment needed to test the network  
17          have been identified previously in developing the UNE network ACFs.

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<sup>38</sup> D.T.E 98-57, Order Dated March 24, 2000 at 112.

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1 A pro rata portion of these costs are picked up with the same  
2 relationship as with the subscriber trouble testing expenses to be  
3 used in EELS. The resultant amounts are then combined and spread  
4 over the outside plant investment accounts to derive the basis of the  
5 forward – looking estimation of testing that will be required for EEL  
6 arrangements.

7

8 **XII. MISCELLANEOUS SERVICES**

9 **A. DAILY USAGE FILE**

10 Q. Please explain the Daily Usage File (“DUF”) service.

11 A. This service provides resellers and UNE purchasers with detailed  
12 usage information. It consists of the processing and transmission of  
13 call records.

14 Q. How were the processing costs for DUF developed?

15 A. Costs were developed for Recording Processing, Data Transmission,  
16 and Tape or Carriage. The costs include the computer processing  
17 usage time, computer termination maintenance, salary and wages of  
18 personnel handling the data transmission functions, software  
19 maintenance, and disk maintenance.

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1 Q. In the Phase 4-O Order in the Consolidated Arbitrations<sup>39</sup>, the  
2 Department rejected Verizon MA's DUF<sup>40</sup> costs. Please address the  
3 Department's criticisms in that proceeding.

4 A. The Department found that the Company was already being  
5 compensated for forward-looking computer-related costs in its UNE  
6 rates. Therefore, the Department ruled that allowing cost recovery  
7 through a separate rate element would result in a double recovery. In  
8 this filing, Verizon MA addresses any potential double recovery of  
9 OSS costs through an explicit adjustment to the ACFs as described  
10 above.

11 In the Consolidated Arbitrations, the Department also found that  
12 certain OSS-related investments were overstated. In this filing, the  
13 DUF study is based on more current data than that provided in the  
14 Consolidated Arbitrations.

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<sup>39</sup> D.T.E. 96-73/74, 96-75, 96-80/81, 96-83, 96-94 – Phase 4-O, Order On Motions For Reconsideration Of MCI WorldCom, Inc. And Motion For Reconsideration And Clarification Of Bell Atlantic-Massachusetts, January 10, 2000.

<sup>40</sup> In the Consolidated Arbitrations, DUF was known as Customer Usage Detail Service ("CUDS").

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1           **B.     CUSTOMIZED ROUTING**

2       Q.     Please describe the Customized Routing of OS/DA for resale.

3       A.     Customized Routing, as the term is used in this testimony, provides a  
4           reseller with the ability to route local OS/DA calls from a resold line to  
5           an Alternative Operator Service Provider ("AOSP"), *i.e.*, to an  
6           operator  
7           service provider other than Verizon MA.

8       Q.     What is the long-term view of how this service will be provided?

9       A.     The long-term view for this service is to make use of Advanced  
10          Intelligent Network (AIN) technology. Using an AIN switch "trigger",  
11          Verizon's switch providing the CLEC's end user dial-tone, will launch  
12          a query to an SCP, which will provide the instructions on how to route  
13          the call, which trunk group to select specific to the originating line,  
14          traffic type of the specific call, and destination of the call.

15      Q.     What assumptions were made with respect to other elements or  
16          services that the reseller must provide?

17      A.     Customized Routing of OS/DA for Resale requires the reseller to  
18          purchase direct trunks in order for the routed calls to be directed to  
19          the designated trunk group, and transported to the AOSP that will  
20          handle OS/DA for the reseller. These trunk facilities must be either

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1 purchased from the Company, or otherwise provided for by the  
2 reseller.

3 Q. What costs are involved in this service?

4 A. There are two types of costs that are involved with this service: non-  
5 recurring establishment and SS7 costs (including AIN Transport and  
6 Query). The non-recurring costs are addressed Mr. Meacham's  
7 testimony.

8 Q. How were the recurring costs calculated in the study?

9 A. First, the average number of OS/DA calls per month for these calls for  
10 all lines were identified. Each one of these "re-routed" calls needs to  
11 launch an AIN query for routing instructions. The average number of  
12 OS/DA calls was multiplied by the cost for the Customized Routing  
13 AIN Query and AIN Transport to establish the SS7 costs per line per  
14 month.

15 Q. Does this conclude the Panel's testimony?

16 A. Yes.



**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

<b>Investigation by the Department on its own</b>	<b>§</b>	
<b>Motion into the Appropriate Pricing, based</b>	<b>§</b>	
<b>upon Total Element Long-Run Incremental</b>	<b>§</b>	
<b>Costs, for Unbundled Network Elements and</b>	<b>§</b>	<b>D. T. E. 01-20</b>
<b>Combinations of Unbundled Network Elements,</b>	<b>§</b>	
<b>and the Appropriate Avoided Cost Discount</b>	<b>§</b>	
<b>for Verizon New England Inc. d/b/a Verizon</b>	<b>§</b>	
<b>Massachusetts' Resale Services</b>	<b>§</b>	

**DIRECT TESTIMONY OF ALLEN E. SOVEREIGN  
ON BEHALF OF VERIZON NEW ENGLAND INC.  
D/B/A VERIZON MASSACHUSETTS**

**May 4, 2001**

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1     **I.     INTRODUCTION**

2     Q.     Please state your name, address and present background.

3     A.     My name is Allen E. Sovereign. My business address is 1420 East Rochelle  
4           Blvd., Irving, Texas 75039. I am employed by Verizon as Group  
5           Manager-Capital Recovery.

6     Q.     Please describe your education and work experience.

7     A.     I received a Bachelor of Science Degree in Electrical Engineering from  
8           Michigan Technological University, Houghton, Michigan, in 1971. I received  
9           a Master of Science Degree in Business Administration from Indiana  
10          University, Bloomington, Indiana, in 1980. I have attended courses in  
11          depreciation and life analysis provided by Depreciation Programs, Inc., of  
12          Kalamazoo, Michigan. I have also attended and instructed basic and advanced  
13          GTE courses in depreciation life analysis. I am a Senior Member of the  
14          Society of Depreciation Professionals.  
15          I have worked for Verizon for over 25 years, with 18 of those years in the  
16          depreciation study area. I have held various positions in Engineering and  
17          Construction, Capital Budgeting, Marketing, and Product Development. I was named  
18          to my current position in February 1994.

19    Q.     What are the responsibilities of your current position?

20    A.     I am responsible for the preparation, filing and resolution of capital recovery studies  
21          and the determination of economic lives for Verizon.

1 Q. Have you previously testified before any other regulatory agencies?

2 A. Yes, I have testified on capital recovery issues before state utility commissions in  
3 South Carolina, Texas, New Mexico, Arkansas, California, Washington, Idaho,  
4 Illinois, Indiana, Nebraska, Pennsylvania, Michigan, Virginia, Kentucky, Nevada,  
5 Iowa, and Hawaii.

6 Q. What is the purpose of your Direct Testimony?

7 A. The purpose of my testimony is to recommend and support depreciation lives and  
8 future net salvages used in the cost studies to calculate Unbundled Service Network  
9 Element ("UNE") rates for Verizon Massachusetts ("Verizon MA").

10 Q. What depreciation inputs did Verizon use in the cost studies it submitted in this  
11 proceeding?

12 A. Verizon used the forward-looking economic lives and future net salvage values that  
13 it used in its financial reporting for 1999, and which I recommend in this testimony.  
14 These are the same depreciation parameters that Verizon used for its 1999 financial  
15 reporting to its shareholders. A complete list of Verizon's proposed depreciation  
16 lives and future net salvage percentages is attached to my testimony as Exhibit AES-1.

17 Q. Please summarize your direct testimony.

18 A. The Massachusetts Department of Telecommunications and Energy ("Department")  
19 should approve the economic depreciation inputs Verizon used in its cost studies.  
20 Like the cost study methodology prescribed for use in this proceeding, Verizon's  
21 depreciation inputs are forward-looking. This forward-looking approach produces

1 a more accurate estimate of assets' economic lives than an outdated, historical  
2 approach.

3 When all local exchange companies were monopoly providers, regulators could defer  
4 capital recovery without affecting the ability of the regulated company to recover its  
5 investments. With the advent of local competition, regulators no longer have the  
6 luxury of postponing capital recovery in the rate-setting process. The changing  
7 telecommunications environment must be taken into consideration when determining  
8 the proper recovery period of an asset. The methodology described in my testimony  
9 considers these developments.

10 **II. ECONOMIC LIVES MUST BE USED IN FORWARD-LOOKING COST**  
11 **STUDIES**

12 Q. Are the depreciation rates established by the Federal Communications Commission  
13 ("FCC") appropriate for determining the costs of UNEs?

14 A. No. The FCC's prescribed depreciation parameters are appropriate only for  
15 regulatory reporting purposes. This UNE docket requires forward-looking economic  
16 depreciation inputs. The FCC-prescribed depreciation inputs were developed for  
17 regulatory reporting purposes to recover both past embedded plant investment and  
18 newly placed plant investment. Verizon uses economic parameters for its reports to  
19 stockholders.

20 Q. Are you familiar with the Department's Phase 4 decision in the Consolidated

1 Arbitrations, where based on the record, the Department adopted the FCC lives in the  
2 most recent FCC prescription for use in the TELRIC studies?

3 A. Yes.

4 Q. Do you agree with the conclusion that these lives are forward looking and appropriate  
5 for inputs in determining the costs of UNEs?

6 A. No. These lives are not appropriate for use as inputs in determining the costs of  
7 UNEs. Depreciation practitioners have not used traditional historical depreciation  
8 analysis to determine the depreciation life parameter for several years. The FCC  
9 claims that its lives consider technological change and competition, however, its  
10 analysis underestimates the impact of these factors. The lives used by Verizon for  
11 financial reporting more accurately reflect that these relevant factors. The table below  
12 compares the lives from the Department's Phase 4 Order with the lives Verizon used  
13 in the cost model and the lives Verizon is using for financial reporting. The lives used  
14 in the cost model were in effect for financial reporting in 1999, whereas the lives used  
15 for financial reporting were revised in 2001 to more accurately reflect the competitive  
16 environment.

	<b>Projection Lives (Years)</b>			
		<b>Verizon Financial Reporting</b>	<b>Verizon Proposed</b>	<b>DTE Ordered</b>
	<b><u>Account</u></b>			
1				
2				
3				
4				
5				
6	ESS Digital	10	10	15
7	Circuit Equipment	9	9	11
8	Aerial Cable Metallic	16	18	22
9	Underground Ca Metal	16	18	25
10	Buried Cable Metallic	16	18	23
11	Fiber Cable	20	20	25

12 Q. Please define the term “economic life” and how it relates to the cost studies.

13 A. “Economic life” is defined as the period of time over which an asset is used to provide  
14 economic value. Verizon’s proposed depreciation parameters consider the decline in  
15 an asset’s value from all causes, including competition and technological change. The  
16 parameters reflect the principle that depreciation should be consistent with forward-  
17 looking economic assumptions and based on competitive market asset lives.

18 Q. What are “FCC-prescribed depreciation lives”?

19 A. These are the lives set for regulatory accounting purposes.

20 Q. Does the Department prescribe depreciation parameters for Verizon?

21 A. No. In the Price Cap Plan adopted by the Department in May 1995, in D.T.E. 94-50,

1 the Department ruled that Verizon MA should have the flexibility to adjust its own  
2 depreciation parameters provided that the Company used depreciation lives that did  
3 not exceed those prescribed by the FCC in its most recent triennial represcription.  
4 Since that decision, the Company has used depreciation parameters that are consistent  
5 with, or shorter than the lives approved for Verizon in the FCC's 1996 represcription  
6 for both intrastate regulatory reporting, and financial reporting purposes.

7 Q. Is an asset's economic life equal to the depreciation life of that asset as prescribed by  
8 state commissions or the FCC?

9 A. No. Economic lives are generally shorter than prescribed asset lives.

10 Q. Why are economic lives shorter than prescribed lives?

11 A. Historically, regulatory commissions prescribed asset lives under the assumption that  
12 there would be little or no competition and that technological innovation would  
13 continue at its traditional pace. The Telecommunications Act of 1996 ("Act") is  
14 intended to spur a new competitive environment that invalidates that basic  
15 assumption.

16 As previously discussed, the economic life of an asset is the period of time over which  
17 that asset is used to provide economic value. Both increased competition and  
18 technological change shorten the period over which an asset will provide economic  
19 value. In a world where Verizon was the sole provider, depreciation rates were based  
20 upon artificially long asset lives. By basing depreciation rates on long asset lives, the

1 depreciation rates were lower, and the period over which the asset was depreciated  
2 was longer. These longer depreciation lives helped regulatory agencies keep  
3 consumer prices artificially low. Today's current market environment reduces the  
4 length of time over which Verizon can recover its investment in an asset and renders  
5 unsustainable the use of artificially long asset lives in calculating depreciation rates.

6 Q. When estimating economic lives, is it possible to use traditional life estimation  
7 techniques?

8 A. No. Traditional life estimation techniques are used to predict an asset's physical life,  
9 but not its economic life. The physical life of an asset ends upon that asset's  
10 retirement. Economic lives, however, can be affected when no retirements are  
11 evident. For example, assume Verizon has a 1,200 pair cable that has been used to  
12 provide service to 1,000 customers in the pre-Act single-provider environment. Next,  
13 assume that in the post-Act industry, only 500 pairs of the 1,200 pair cable are being  
14 used (i.e., providing service to customers and economic value to Verizon) as a result  
15 of 500 customers leaving for competitors' networks. Retirement-based analysis (i.e.,  
16 the traditional physical life estimation technique) assumes that all plant in service has  
17 economic life. However, under this scenario, only 50 percent of the originally utilized  
18 investment actually have economic life. The economic life of the asset is severely  
19 affected by competition, but there are no associated retirements of the asset.

1   **III.    COMPETITION AND TECHNOLOGICAL INNOVATION REQUIRE**  
2   **THE USE OF ECONOMIC LIVES**

3   Q.    What factors should the Department consider in approving depreciation inputs for  
4       determining UNE costs?

5   A.    The two most important factors that must be considered in establishing the economic  
6       value of Verizon's assets are: (1) technological innovation and (2) the impact of  
7       competition.

8   Q.    What technological innovations did you consider in establishing Verizon's economic  
9       lives?

10  A.    Competitive carriers are utilizing a number of alternative technologies to provide  
11       telecommunications service that completely bypass the Incumbent Local Exchange  
12       Carrier's (ILEC) existing wireline network. These technologies include wireless local  
13       loops, cable television lines, and electric lines. Prior to the passage of the Act,  
14       depreciation analysis consisted primarily of mortality analysis with only slight  
15       adjustments for technological change. Now, the rapid pace of advancement in  
16       technological innovations must be recognized in establishing the economic value of  
17       Verizon's assets.

18  Q.    What competitive developments did you consider in establishing Verizon's economic  
19       lives?

20  A.    Competitor's in Massachusetts are providing service to both residential and business  
21       customers across the state using each of the three modes of competitive entry

1 provided for in the 1996 Act – interconnection, access to UNEs, and resale. The  
2 extent of competition in the Massachusetts telecommunications marketplace is  
3 widespread, and carriers are active throughout the state. There are hundreds of  
4 carriers offering telecommunications services across Massachusetts. These include  
5 interexchange and other “toll” carriers, pay phone providers, competitive access  
6 providers, cable companies, Resellers, competitive local exchange companies  
7 (“CLECs”), data CLECs, and microwave providers. Some offer complete packages  
8 of voice, data and Internet services, while others provide service in particular  
9 segments such as data, and are principally focusing at this time on providing DSL,  
10 Frame Relay and point-to-point services. Using all three entry modes envisioned by  
11 the Act, carriers are offering a range of services, and the evidence of competition in  
12 Massachusetts is compelling. I am informed that in *every* Verizon MA central office  
13 in the state at least two of the three modes of entry are employed by carriers to serve  
14 customers, and in 88 percent of the central offices, all three modes of entry are  
15 currently employed.

16 Companies, such as AT&T and WorldCom are spending billions of dollars to bypass  
17 the ILECs’ networks nationwide. In this regard, AT&T has undertaken an approach  
18 of buying cable television companies. It has publicly declared that it will offer local  
19 phone service via cable TV wires, either on its own or in partnership with others, and  
20 via fixed wireless technology. For example, in Massachusetts, AT&T Broadband

1 currently provides cable television service in municipalities whose principal serving  
2 central office contains over 86 percent of Verizon MA's business lines and 80 percent  
3 of its residence lines. AT&T Broadband is now providing its Digital Telephone  
4 Service in municipalities that contain approximately 40 percent of Verizon MA's  
5 business lines and over 37 percent of Verizon MA's total lines.

6 Even where AT&T does not have wireline facilities, it is pursuing a bypass strategy.  
7 This is highlighted in the following quote from a recent AT&T Internet website  
8 article, dated May 18th, 2000, entitled "Angel Takes Flight."<sup>1</sup> "By eliminating the  
9 copper-wire connection necessary for land-line communications, fixed wireless  
10 literally cuts the cord between the traditional central office or switching center and a  
11 consumer's home." This same article illustrates the linkage of the extensive cable  
12 network purchased over the last months with the fixed wireless technology: "The  
13 goal is to bring fixed wireless service everywhere AT&T Cable Services is not."  
14 WorldCom is also investing in its own fixed wireless technology to bypass the LEC  
15 network. Other fixed wireless companies, such as Winstar and Teligent, are currently  
16 offering a fixed wireless alternative to local landline service in Massachusetts.

17 Since these companies are obviously pursuing a bypass strategy, and since they cannot  
18 build facilities to supply the entire market immediately, it is logical that they would  
19 only want to purchase UNEs from the ILECs on an interim basis. It follows, then,  
20 that the economic life of the ILEC's facilities will be seriously diminished. If the